

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|   |                                |  |                          |
|---|--------------------------------|--|--------------------------|
| Local Government Type<br><input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other |                                | Local Government Name<br><b>VILLAGE OF STEVENSVILLE</b>      | County<br><b>BERRIEN</b> |
| Audit Date<br><b>3/31/04</b>  | Opinion Date<br><b>8/25/04</b> | Date Accountant Report Submitted to State:<br><b>9/21/04</b> |                          |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

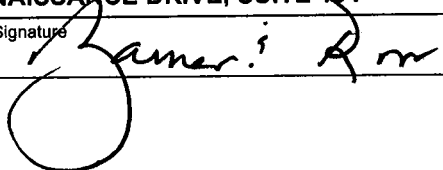
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | ✓        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | ✓            |
| Single Audit Reports (ASLGU).   |          |                 | ✓            |

|   |                             |                    |                        |
|---|-----------------------------|--------------------|------------------------|
| Certified Public Accountant (Firm Name)<br><b>BARNES &amp; ROSS CPA'S P.C.</b>                              |                             |                    |                        |
| Street Address<br><b>500 RENAISSANCE DRIVE, SUITE 104</b>   | City<br><b>SAINT JOSEPH</b> | State<br><b>MI</b> | ZIP<br><b>49085</b>    |
| Accountant Signature<br> |                             |                    | Date<br><b>9/21/04</b> |

VILLAGE OF STEVENSVILLE  
BERRIEN COUNTY, MICHIGAN  
FINANCIAL STATEMENTS  
MARCH 31, 2004

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**BARNES & ROSS**  
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**INDEPENDENT AUDITORS' REPORT**

To the Members of the Village Council  
Village of Stevensville  
Stevensville, Michigan

We have audited the accompanying general purpose financial statements of the Village of Stevensville, as of and for the year ended March 31, 2004, as listed in the table of contents on pages 2 through 15. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Stevensville, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

  
BARNES & ROSS

August 25, 2004

VILLAGE OF STEVENSVILLE

COMBINED BALANCE SHEET - ALL FUND TYPES,  
ACCOUNT GROUP AND COMPONENT UNIT  
MARCH 31, 2004

|                                       | Governmental<br>Fund Types |                    | Fiduciary<br>Fund Type |
|---------------------------------------|----------------------------|--------------------|------------------------|
|                                       | General                    | Special<br>Revenue | Trust and<br>Agency    |
| ASSETS                                |                            |                    |                        |
| Cash                                  | \$401,804                  | \$302,591          | \$3,838                |
| Investments                           | 35,277                     | 30,332             | -                      |
| Receivables:                          |                            |                    |                        |
| Taxes                                 | 18,967                     | -                  | -                      |
| Other                                 | 49,705                     | 20,843             | -                      |
| Due from other funds                  | 46,245                     | 7,438              | 261                    |
| Due from component unit               | 41,440                     | -                  | -                      |
| Prepaid expenses                      | 6,530                      | -                  | -                      |
| Fixed assets                          | -                          | -                  | -                      |
| Total assets                          | <u>\$599,968</u>           | <u>\$361,204</u>   | <u>\$4,099</u>         |
| LIABILITIES AND EQUITY                |                            |                    |                        |
| Liabilities:                          |                            |                    |                        |
| Accounts payable                      | \$ 27,008                  | \$ 17,805          | \$3,473                |
| Accrued liabilities                   | 6,359                      | 54                 | -                      |
| Due to other funds                    | 7,438                      | 45,880             | 626                    |
| Due to primary government             | -                          | -                  | -                      |
| Deferred revenues                     | <u>42,637</u>              | <u>-</u>           | <u>-</u>               |
| Total liabilities                     | <u>83,442</u>              | <u>63,739</u>      | <u>4,099</u>           |
| Equity:                               |                            |                    |                        |
| Investment in general<br>fixed assets | -                          | -                  | -                      |
| Fund balances:                        |                            |                    |                        |
| Reserved                              | 50,780                     | 297,465            | -                      |
| Unreserved:                           |                            |                    |                        |
| Designated                            | 13,035                     | -                  | -                      |
| Undesignated                          | <u>452,711</u>             | <u>-</u>           | <u>-</u>               |
| Total equity                          | <u>516,526</u>             | <u>297,465</u>     | <u>-</u>               |
| Total liabilities and equity          | <u>\$599,968</u>           | <u>\$361,204</u>   | <u>\$4,099</u>         |

See accompanying notes to financial statements.

| Account<br>Group |           |
|------------------|-----------|
| General          | Component |
| Fixed Assets     | Unit      |

|      |          |
|------|----------|
| \$ - | \$24,500 |
| -    | -        |

|   |   |
|---|---|
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |

|                |          |
|----------------|----------|
| <u>813,039</u> | <u>-</u> |
|----------------|----------|

|                         |                        |
|-------------------------|------------------------|
| <u><u>\$813,039</u></u> | <u><u>\$24,500</u></u> |
|-------------------------|------------------------|

|          |          |
|----------|----------|
| \$ -     | \$ -     |
| -        | -        |
| -        | -        |
| -        | 41,440   |
| <u>-</u> | <u>-</u> |

|          |               |
|----------|---------------|
| <u>-</u> | <u>41,440</u> |
|----------|---------------|

|         |          |
|---------|----------|
| 813,039 | -        |
| -       | (16,940) |

|   |   |
|---|---|
| - | - |
| - | - |

|                |                 |
|----------------|-----------------|
| <u>813,039</u> | <u>(16,940)</u> |
|----------------|-----------------|

|                         |                        |
|-------------------------|------------------------|
| <u><u>\$813,039</u></u> | <u><u>\$24,500</u></u> |
|-------------------------|------------------------|

VILLAGE OF STEVENSVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND COMPONENT UNIT  
FOR THE YEAR ENDED MARCH 31, 2004

|  | <u>General</u>   | <u>Special<br/>Revenue</u> | <u>Component<br/>Unit</u> |
|--|------------------|----------------------------|---------------------------|
| Revenues:  |                  |                            |                           |
| Taxes  | \$250,378        | \$ -                       | \$ 13,093                 |
| Licenses and permits                                 | 7,522            | 13,582                     | -                         |
| Federal grants                                       | -                | 268,612                    | -                         |
| State grants   | 104,946          | 110,402                    | -                         |
| Charges for services and sales                       | 2,141            | -                          | 1,162                     |
| Interest and rentals                                 | 19,221           | 1,599                      | 98                        |
| Other revenues                                       | <u>16,655</u>    | <u>1,054</u>               | <u>16,400</u>             |
| Total revenues                                       | <u>400,863</u>   | <u>395,249</u>             | <u>30,753</u>             |
| Expenditures:  |                  |                            |                           |
| General government                                   | 240,360          | -                          | 68,810                    |
| Public safety  | 4,733            | 19,319                     | -                         |
| Public works   | 84,895           | 502,908                    | -                         |
| Recreation and culture                               | 1,682            | -                          | -                         |
| Capital outlay                                       | <u>5,396</u>     | <u>-</u>                   | <u>-</u>                  |
| Total expenditures                                   | <u>337,066</u>   | <u>522,227</u>             | <u>68,810</u>             |
| Excess (deficiency) of<br>revenues over expenditures | <u>63,797</u>    | <u>(126,978)</u>           | <u>(38,057)</u>           |
| Fund balances - beginning of year                    | 454,101          | 424,443                    | 21,117                    |
| Prior period adjustment                              | <u>(1,372)</u>   | <u>-</u>                   | <u>-</u>                  |
| Fund balances adjusted - beginning<br>of year        | <u>452,729</u>   | <u>424,443</u>             | <u>21,117</u>             |
| Fund balances - end of year                          | <u>\$516,526</u> | <u>\$297,465</u>           | <u>\$(16,940)</u>         |

See accompanying notes to financial statements.

VILLAGE OF STEVENSVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL AND SPECIAL REVENUE FUNDS AND COMPONENT UNIT  
FOR THE YEAR ENDED MARCH 31, 2004

|  | General          |                  | Variance                   |
|--|------------------|------------------|----------------------------|
|  | Budget           | Actual           | Favorable<br>(Unfavorable) |
| Revenues:  |                  |                  |                            |
| Taxes  | \$242,560        | \$250,378        | \$ 7,818                   |
| Licenses and permits                                 | 7,600            | 7,522            | (78)                       |
| Federal grants                                       | -                | -                | -                          |
| State grants   | 114,000          | 104,946          | (9,054)                    |
| Charges for services and sales                       | -                | 2,141            | 2,141                      |
| Interest and rentals                                 | 15,000           | 19,221           | 4,221                      |
| Other revenues                                       | <u>26,322</u>    | <u>16,655</u>    | <u>(9,667)</u>             |
| Total revenues                                       | <u>405,482</u>   | <u>400,863</u>   | <u>(4,619)</u>             |
| Expenditures:  |                  |                  |                            |
| General government                                   | 260,778          | 240,360          | 20,418                     |
| Public safety  | 6,200            | 4,733            | 1,467                      |
| Public works   | 97,500           | 84,895           | 12,605                     |
| Recreation and culture                               | 5,000            | 1,682            | 3,318                      |
| Capital outlay                                       | <u>1,000</u>     | <u>5,396</u>     | <u>(4,396)</u>             |
| Total expenditures                                   | <u>370,478</u>   | <u>337,066</u>   | <u>33,412</u>              |
| Excess (deficiency) of<br>revenues over expenditures | <u>35,004</u>    | <u>63,797</u>    | <u>28,793</u>              |
| Fund balances - beginning of year                    | 454,101          | 454,101          | -                          |
| Prior period adjustment                              | <u>-</u>         | <u>(1,372)</u>   | <u>(1,372)</u>             |
| Fund balances adjusted - beginning<br>of year        | <u>454,101</u>   | <u>452,729</u>   | <u>(1,372)</u>             |
| Fund balances - end of year                          | <u>\$489,105</u> | <u>\$516,526</u> | <u>\$27,421</u>            |

See accompanying notes to financial statements.



| Special Revenue  |                  |  | Component Unit  |                   |  |
|------------------|------------------|--|-----------------|-------------------|--|
| Budget           | Actual           | Variance<br>Favorable<br>(Unfavorable) | Budget          | Actual            | Variance<br>Favorable<br>(Unfavorable) |
| \$ -             | \$ -             | \$ -                                   | \$10,389        | \$ 13,093         | \$ 2,704                               |
| 12,100           | 13,582           | 1,482                                  | -               | -                 | -                                      |
| 294,823          | 268,612          | (26,211)                               | -               | -                 | -                                      |
| 104,000          | 110,402          | 6,402                                  | -               | -                 | -                                      |
| -                | -                | -                                      | -               | 1,162             | 1,162                                  |
| 1,100            | 1,599            | 499                                    | 50              | 98                | 48                                     |
| 1,000            | 1,054            | 54                                     | 6,185           | 16,400            | 10,215                                 |
| <u>413,023</u>   | <u>395,249</u>   | <u>(17,774)</u>                        | <u>16,624</u>   | <u>30,753</u>     | <u>14,129</u>                          |
| -                | -                | -                                      | 16,879          | 68,810            | (51,931)                               |
| 13,500           | 19,319           | (5,819)                                | -               | -                 | -                                      |
| 466,555          | 502,908          | (36,353)                               | -               | -                 | -                                      |
| -                | -                | -                                      | -               | -                 | -                                      |
| -                | -                | -                                      | -               | -                 | -                                      |
| <u>480,055</u>   | <u>522,227</u>   | <u>(42,172)</u>                        | <u>16,879</u>   | <u>68,810</u>     | <u>(51,931)</u>                        |
| <u>(67,032)</u>  | <u>(126,978)</u> | <u>(59,946)</u>                        | <u>(255)</u>    | <u>(38,057)</u>   | <u>(37,802)</u>                        |
| 424,443          | 424,443          | -                                      | 21,117          | 21,117            | -                                      |
| -                | -                | -                                      | -               | -                 | -                                      |
| <u>424,443</u>   | <u>424,443</u>   | <u>-</u>                               | <u>21,117</u>   | <u>21,117</u>     | <u>-</u>                               |
| <u>\$357,411</u> | <u>\$297,465</u> | <u>\$(59,946)</u>                      | <u>\$20,862</u> | <u>\$(16,940)</u> | <u>\$(37,802)</u>                      |

VILLAGE OF STEVENSVILLE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of the Local Government Unit conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. REPORTING ENTITY.

The Village is governed by an elected seven-member council. As required by GAAP, these financial statements present the Village of Stevensville and its component unit. In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity".

The individual component unit discussed below is included in the Village's reporting entity because of the significance of its operational or financial relationship with the Village.

The Downtown Development Authority is reported within the component unit column in the financial statements. It is reported in a separate column to emphasize that it is legally separate from the Village. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body is selected by the Village Council. In addition, the Authority's budget is subject to approval by the Village Council.

VILLAGE OF STEVENSVILLE

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED.

B. BASIS OF PRESENTATION.

The accounts of the Village are organized on the basis of funds and account groups; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which these are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into three generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUNDS:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are derived primarily from property taxes and State distributions, grants and other intergovernmental revenues. The General Fund accounts for the general operating expenditures of the Village not recorded elsewhere.

Special Revenue Funds - The Special Revenue Funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

FIDUCIARY FUND:

Agency Fund - The Agency Fund is used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

ACCOUNT GROUP

General Fixed Assets - This account group presents the fixed assets of the Village utilized in its general operations (non-proprietary fixed assets).

VILLAGE OF STEVENSVILLE

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED.

C. BASIS OF ACCOUNTING.

The accounting policies of the Village conform to generally accepted accounting principles as applicable to governmental units.

All Governmental Funds utilize the modified accrual basis of accounting which provides that revenues be recorded when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the related liability is incurred.

The financial statements of the Fiduciary Fund are maintained on the cash basis. Reporting these funds on the cash basis does not have an effect materially different from reporting them on the accrual basis as required by generally accepted accounting principles.

D. BUDGETARY DATA.

At the March meeting the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the Governmental Fund Types.

Public hearings are conducted at the Village Hall to obtain taxpayers comments and prior to March 31, the budget is legally enacted on a summary budget basis through passage of a resolution.

All budgets are adopted on a basis consistent with generally accepted accounting principles and lapse at the end of the fiscal year.

E. USE OF ESTIMATES.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

VILLAGE OF STEVENSVILLE

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED.

F. ASSETS, LIABILITIES AND FUND EQUITY.

1. CASH AND CASH EQUIVALENTS.

Cash and cash equivalents consist of various interest-bearing checking and savings accounts and short-term investments with a maturity date within three months of the date acquired.

2. FIXED ASSETS.

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in Governmental Funds and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the General Fixed Assets Account Group are not depreciated.

# VILLAGE OF STEVENSVILLE

## NOTES TO FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED MARCH 31, 2004

### Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED.

#### G. REVENUES, EXPENDITURES AND EXPENSES.

##### Taxes Receivable

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 15. The Village bills and collects its own property taxes. Village property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are both measurable and available.

The County maintains a delinquent Tax Revolving Fund to reimburse the surrounding municipalities for uncollected real property taxes. Delinquent personal property taxes not received within 60 days of year-end are recorded as deferred revenue.

### Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.

#### A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS.

The Uniform Budget Act, P.A. 2 of 1978 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2004, the Village incurred expenditures in excess of amounts appropriated in the General and Special Revenue Funds and Component Unit.

| <u>Fund</u>                       | <u>Appropriation</u> | <u>Amount of<br/>Expenditure</u> | <u>Variance</u> |
|-----------------------------------|----------------------|----------------------------------|-----------------|
| General:                          |                      |                                  |                 |
| Capital outlay                    | \$ 1,000             | \$ 5,396                         | \$(4,396)       |
| Special Revenue:                  |                      |                                  |                 |
| Liquor Law                        |                      |                                  |                 |
| Enforcement Grant                 | -                    | 2,035                            | (2,035)         |
| Major Streets                     | 434,494              | 464,239                          | (29,745)        |
| Local Streets                     | 32,061               | 38,669                           | (6,608)         |
| Building Inspection               | 13,500               | 17,284                           | (3,784)         |
| Component Unit:                   |                      |                                  |                 |
| Downtown Development<br>Authority | 16,879               | 68,810                           | (51,931)        |

VILLAGE OF STEVENSVILLE

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONCLUDED.

B. ACCUMULATED FUND DEFICIT.

The Village has accumulated a fund deficit in the Component Unit, the Downtown Development Authority of \$16,940.

Public Act 275 of 1980 requires the local unit to file a deficit elimination plan with the Michigan Treasury Department within 90 days after the fiscal year-end. The Village did not file the required plan. The Village believes the following addresses the fund deficit and will be filing a plan shortly.

The Downtown Development Authority will use the tax increment financing authority revenue to eliminate the deficit over the next three years.

Note 3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS.

A. ASSETS.

1. DEPOSITS AND INVESTMENTS.

Deposits

The Village has designated three banks for the deposit of local funds.

The Village's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits without considering deposits in transit or cleared checks, are as follows:

| <u>Deposits</u> | <u>Primary<br/>Government</u> | <u>Component<br/>Unit</u> |
|-----------------|-------------------------------|---------------------------|
| Insured (FDIC)  | \$145,000                     | \$ -                      |
| Uninsured       | <u>525,484</u>                | <u>26,500</u>             |
| Total deposits  | <u>\$670,484</u>              | <u>\$26,500</u>           |

VILLAGE OF STEVENSVILLE

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004

Note 3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED.

A. ASSETS - CONTINUED.

1. DEPOSITS AND INVESTMENTS - CONCLUDED.

Investments

The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized the Village to invest in obligations of the U.S. Government deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. Agencies, banker's acceptance of U.S. Banks, and mutual funds comprised of the above authorized investments.

The Village's investments are in accordance with statutory authority.

In accordance with GASB Statement No. 3, investments are classified into three categories of credit risk as follows:

Category 1: Insured, registered, or securities held by the Village or its agent in the Village's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the Village's name.

Investments, categorized by level of risk, are:

| <u>Investments</u>                   | <u>(1)</u>      | <u>(2)</u>  | <u>(3)</u>  | <u>Carrying Amount</u> | <u>Market Value</u> |
|--------------------------------------|-----------------|-------------|-------------|------------------------|---------------------|
| Risk - categorized:                  |                 |             |             |                        |                     |
| Cash equivalents                     | \$ -            | \$ -        | \$ -        | \$ -                   | \$ -                |
| Certificates of deposit              | -               | -           | -           | -                      | -                   |
| Corporate bonds                      | 65,609          | -           | -           | 65,609                 | 65,609              |
| U.S. Government                      | -               | -           | -           | -                      | -                   |
| Total risk - categorized investments | <u>\$65,609</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$65,609</u>        | <u>\$65,609</u>     |



VILLAGE OF STEVENSVILLE

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004

Note 3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED.

A. ASSETS - CONCLUDED.

2. CHANGES IN GENERAL FIXED ASSETS.

|                                  | March 31,<br>2003 | Additions      | Deletions   | March 31,<br>2004 |
|----------------------------------|-------------------|----------------|-------------|-------------------|
| Land                             | \$ 51,317         | \$ -           | \$ -        | \$ 51,317         |
| Parking lots                     | 46,193            | -              | -           | 46,193            |
| Buildings                        | 350,556           | 4,972          | -           | 355,528           |
| Street lights and<br>landscaping | 61,788            | -              | -           | 61,788            |
| Vehicles and<br>equipment        | 270,523           | -              | -           | 270,523           |
| Office equipment                 | 27,170            | 520            | -           | 27,690            |
| Total                            | <u>\$807,547</u>  | <u>\$5,492</u> | <u>\$ -</u> | <u>\$813,039</u>  |

B. INDIVIDUAL FUNDS - INTERFUND RECEIVABLES AND PAYABLES.

| Fund                | Interfund<br>Receivables | Fund             | Interfund<br>Payables |
|---------------------|--------------------------|------------------|-----------------------|
| General             | \$46,245                 | Trust and Agency | \$ 626                |
|                     |                          | Major Streets    | 17,170                |
|                     |                          | Local Streets    | 28,449                |
| Special Revenue:    |                          |                  |                       |
| Liquor Law          |                          |                  |                       |
| Enforcement Grant   | 4,084                    | General          | 4,084                 |
| Building Inspection | 3,354                    | General          | 3,354                 |
| Trust and Agency    | 261                      | Major Streets    | 145                   |
|                     |                          | Local Streets    | 116                   |
| Total               | <u>\$53,944</u>          | Total            | <u>\$53,944</u>       |

At March 31, 2004, due from Component Unit consisted of an advance to the Downtown Development Authority in the amount of \$41,440 for a streetscape project. The Downtown Development Authority will reimburse the General Fund over 6 years at an interest rate of 4 percent.

VILLAGE OF STEVENSVILLE

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004

Note 3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONCLUDED.

C. EQUITY.

Detailed Listing of Fund Balances for Reserved and Unreserved Balances

A detailed description of fund balance reservations and designations (for all Governmental Fund Types) at March 31, 2004 is presented below:

|                              | <u>General</u>   | <u>Special<br/>Revenue</u> |
|------------------------------|------------------|----------------------------|
| Fund balances:               |                  |                            |
| Reserved:                    |                  |                            |
| Major Streets                | \$ -             | \$261,533                  |
| Local Streets                | -                | 32,865                     |
| Liquor Law Enforcement Grant | -                | 55                         |
| Building Inspection          | -                | 3,012                      |
| Public television            | <u>50,780</u>    | <u>-</u>                   |
| Total reserved               | <u>50,780</u>    | <u>297,465</u>             |
| Unreserved:                  |                  |                            |
| Designated                   | 13,035           | -                          |
| Undesignated                 | <u>452,711</u>   | <u>-</u>                   |
| Total unreserved             | <u>465,746</u>   | <u>-</u>                   |
| Total equity                 | <u>\$516,526</u> | <u>\$297,465</u>           |

Note 4. COMMITMENTS AND CONTINGENCIES.

The Village is exposed to various risks of loss, such as property losses, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Village has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal Liability and Property Pool for claims related to general liability, excess liability, errors and omissions, physical damage to property, workers' compensation and employee dishonesty.

VILLAGE OF STEVENSVILLE

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004

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Note 5. VILLAGE OF STEVENSVILLE DEVELOPMENT FUND.

The Village of Stevensville Development Fund (Fund) is an autonomous entity functioning as an affiliate of the Cornerstone Alliance, a 501(c)(3) Non-Profit Organization. The purpose of the Fund is to financially assist in the retention and attraction of customer-focused business entities to help grow the retail base of the region. To date, the Village contributed a total of \$11,500 from the General Fund and the Downtown Development Authority. In the event of dissolution of the Fund, the Village would be entitled to its pro-rata share of the assets of the Fund based upon its contributions.

Note 6. PRIOR PERIOD ADJUSTMENT.

A prior period adjustment of \$1,372 was made to the beginning fund balance in the General Fund. This adjustment represents \$7,628 of retirement expense from the March 31, 2003 year-end, which was not recorded as an expenditure in the prior year. In addition to the above, an adjustment was also made for not recording prepaid insurance in the amount of \$6,256. The net effect of the above two adjustments to the General Fund's beginning fund balance is \$1,372.

Note 7. DEFERRED COMPENSATION PLAN.

The Village offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 456(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted for any other use. The administrators are agents of the employer (Village) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Village's financial statements.

VILLAGE OF STEVENSVILLE

NOTES TO FINANCIAL STATEMENTS - CONCLUDED  
FOR THE YEAR ENDED MARCH 31, 2004

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Note 8. NEW REPORTING STANDARD.

In June, 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This statement establishes new financial reporting requirements for State and Local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Village is required to implement this standard for the fiscal year March 31, 2005. The Village has not yet determined the full impact that the adoption of GASB Statement 34 will have on the financial statements.

# VILLAGE OF STEVENSVILLE

## STATEMENT OF EXPENDITURES - GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2004

### Expenditures:

#### General government:

|                         |              |
|-------------------------|--------------|
| Salaries and wages      | \$117,740    |
| Payroll taxes           | 8,869        |
| Retirement              | 7,357        |
| Insurance and bonds     | 26,120       |
| Professional fees       | 22,894       |
| Repairs and maintenance | 13,211       |
| Supplies                | 10,969       |
| Printing and publishing | 10,686       |
| Telephone               | 4,211        |
| Utilities               | 6,038        |
| Community promotion     | 6,324        |
| Donations               | 1,500        |
| Memberships and dues    | 1,119        |
| Tax roll preparation    | 893          |
| Travel                  | 728          |
| Education and training  | 258          |
| Outside services        | 250          |
| Miscellaneous           | <u>1,193</u> |

Total general government 240,360

#### Public safety:

|                          |            |
|--------------------------|------------|
| Planning commission      |            |
| office expenses          | 360        |
| Contracted fire services | 542        |
| Professional fees        | 3,693      |
| Miscellaneous            | <u>138</u> |

Total public safety 4,733

#### Public works:

|                              |            |
|------------------------------|------------|
| Engineering and consulting   | 7,029      |
| Operating supplies - streets | 373        |
| Gas and oil                  | 3,232      |
| Street lights                | 21,751     |
| Garbage and trash removal    | 52,379     |
| Miscellaneous                | <u>131</u> |

Total public works 84,895

#### Recreation and culture:

|               |              |
|---------------|--------------|
| Park expenses | <u>1,682</u> |
|---------------|--------------|

#### Capital outlay

5,396

Total expenditures \$337,066

VILLAGE OF STEVENSVILLE  
 COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS  
 MARCH 31, 2004

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| ASSETS                       | <u>Major<br/>Streets</u> | <u>Local<br/>Streets</u> | <u>Liquor Law<br/>Enforcement<br/>Grant</u> |
|------------------------------|--------------------------|--------------------------|---|
| Cash                         | \$245,264                | \$57,327                 | \$ -  |
| Investments                  | 30,332                   | -                        | -   |
| Accounts receivable          | 16,536                   | 4,307                    | -   |
| Due from other funds         | <u>-</u>                 | <u>-</u>                 | <u>4,084</u>                                |
| Total assets                 | <u>\$292,132</u>         | <u>\$61,634</u>          | <u>\$4,084</u>                              |
|                              |                          |                          |   |
| LIABILITIES AND EQUITY       |                          |                          |   |
| Liabilities:                 |                          |                          |   |
| Accounts payable             | \$ 13,248                | \$ 186                   | \$4,029                                     |
| Accrued liabilities          | 36                       | 18                       | -   |
| Due to other funds           | <u>17,315</u>            | <u>28,565</u>            | <u>-</u>                                    |
| Total liabilities            | 30,599                   | 28,769                   | 4,029                                       |
| Equity:                      |                          |                          |   |
| Fund balances                | <u>261,533</u>           | <u>32,865</u>            | <u>55</u>                                   |
| Total liabilities and equity | <u>\$292,132</u>         | <u>\$61,634</u>          | <u>\$4,084</u>                              |

| <u>Building<br/>Inspection</u> | <u>Total</u> |
|--------------------------------|--------------|
|--------------------------------|--------------|

|              |              |
|--------------|--------------|
| \$ -         | \$302,591    |
| -            | 30,332       |
| -            | 20,843       |
| <u>3,354</u> | <u>7,438</u> |

|                |                  |
|----------------|------------------|
| <u>\$3,354</u> | <u>\$361,204</u> |
|----------------|------------------|

|          |               |
|----------|---------------|
| \$ 342   | \$ 17,805     |
| -        | 54            |
| <u>-</u> | <u>45,880</u> |

|     |        |
|-----|--------|
| 342 | 63,739 |
|-----|--------|

|              |                |
|--------------|----------------|
| <u>3,012</u> | <u>297,465</u> |
|--------------|----------------|

|                |                  |
|----------------|------------------|
| <u>\$3,354</u> | <u>\$361,204</u> |
|----------------|------------------|

VILLAGE OF STEVENSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED MARCH 31, 2004

|  | Major<br>Streets | Local<br>Streets | Liquor Law<br>Enforcement<br>Grant |
|--|------------------|------------------|------------------------------------|
| Revenues:  |                  |                  |                                    |
| Licenses and permits                                 | \$ -             | \$ -             | \$ -                               |
| Federal grants                                       | 268,612          | -                | -                                  |
| State grants   | 85,594           | 22,773           | 2,035                              |
| Interest and rentals                                 | 1,490            | 109              | -                                  |
| Other revenues                                       | <u>756</u>       | <u>298</u>       | <u>-</u>                           |
| Total revenues                                       | <u>356,452</u>   | <u>23,180</u>    | <u>2,035</u>                       |
| Expenditures:  |                  |                  |                                    |
| Public safety  | -                | -                | 2,035                              |
| Public works   | <u>464,239</u>   | <u>38,669</u>    | <u>-</u>                           |
| Total expenditures                                   | <u>464,239</u>   | <u>38,669</u>    | <u>2,035</u>                       |
| Excess (deficiency) of<br>revenues over expenditures | (107,787)        | (15,489)         | -                                  |
| Fund balances - beginning of year                    | <u>369,320</u>   | <u>48,354</u>    | <u>55</u>                          |
| Fund balances - end of year                          | <u>\$261,533</u> | <u>\$32,865</u>  | <u>\$ 55</u>                       |



| <u>Building<br/>Inspection</u> | <u>Total</u>     |
|--------------------------------|------------------|
| \$13,582                       | \$ 13,582        |
| -                              | 268,612          |
| -                              | 110,402          |
| -                              | 1,599            |
| -                              | 1,054            |
| <u>13,582</u>                  | <u>395,249</u>   |
| 17,284                         | 19,319           |
| <u>-</u>                       | <u>502,908</u>   |
| <u>17,284</u>                  | <u>522,227</u>   |
| (3,702)                        | (126,978)        |
| <u>6,714</u>                   | <u>424,443</u>   |
| <u>\$ 3,012</u>                | <u>\$297,465</u> |

**BARNES & ROSS**  
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CERTIFIED PUBLIC ACCOUNTANTS

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August 25, 2004

To the Members of the Village Council  
Village of Stevensville  
Stevensville, MI 49127

In connection with the audit of the Village's financial records for the year ended March 31, 2004 we offer the following comments and recommendations:

**Uniform Budget Act**

When it becomes apparent that expenditures are going to exceed amounts appropriated, Public Act 621 requires that the budget be formally amended. Expenditures exceeded the amount appropriated in the General Fund and Special Revenue Funds. In some instances the excess occurred as a direct result of audit adjustments to the financial records and in other cases funds were expended in excess of the authorized amounts.

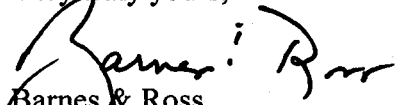
**Fund Deficit**

The Downtown Development Authority, a component unit of the Village incurred a fund deficit for the year ended March 31, 2004. Public Act 275 of 1980 requires the local unit to file a deficit elimination plan within 90 days after fiscal year-end. The Village did not file the required plan and will be filing a plan shortly.

This report is intended solely for the information and use of the Village Council, its management and the State of Michigan's Local Audit Division.

We appreciate the courtesy and cooperation extended to us by the officials and employees of the Village. If you have any questions or need assistance with any other matters, please feel free to contact us.

Very truly yours,

  
Barnes & Ross